

# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 483.—Interest on Certain Deferred Payments

A ruling provides the dollar amounts, increased by the 2009 inflation adjustment, for section 1274A of the Code. See Rev. Rul. 2008-52, page 1233.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

## Section 832.—Insurance Company Taxable Income

*26 CFR 1.832-4: Gross income.*

The salvage discount factors are set forth for 2008. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2008-71, page 1251.

## Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2008. See Rev. Rul. 2008-53, page 1231.

*26 CFR 1.846-1: Application of discount factors.*

The loss payment patterns and discount factors are set forth for the 2008 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code. See Rev. Proc. 2008-70, page 1240.

*26 CFR 1.846-1: Application of discount factors.*

The salvage discount factors are set forth for 2008. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2008-71, page 1251.

## Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

A ruling provides the dollar amounts, increased by the 2009 inflation adjustment, for section 1274A of the Code. See Rev. Rul. 2008-52, page 1233.

*(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)*

**Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate.** For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for December 2008.

## Rev. Rul. 2008-53

This revenue ruling provides various prescribed rates for federal income tax purposes for December 2008 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in

service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July

30, 2008, and before December 31, 2013, shall not be less than 9%. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or

for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the 2009 interest rate for sections 846 and 807.

REV. RUL. 2008-53 TABLE 1				
Applicable Federal Rates (AFR) for December 2008				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	1.36%	1.36%	1.36%	1.36%
110% AFR	1.51%	1.50%	1.50%	1.50%
120% AFR	1.64%	1.63%	1.63%	1.62%
130% AFR	1.78%	1.77%	1.77%	1.76%
<i>Mid-term</i>				
AFR	2.85%	2.83%	2.82%	2.81%
110% AFR	3.13%	3.11%	3.10%	3.09%
120% AFR	3.43%	3.40%	3.39%	3.38%
130% AFR	3.71%	3.68%	3.66%	3.65%
150% AFR	4.30%	4.25%	4.23%	4.21%
175% AFR	5.01%	4.95%	4.92%	4.90%
<i>Long-term</i>				
AFR	4.45%	4.40%	4.38%	4.36%
110% AFR	4.90%	4.84%	4.81%	4.79%
120% AFR	5.35%	5.28%	5.25%	5.22%
130% AFR	5.80%	5.72%	5.68%	5.65%

REV. RUL. 2008-53 TABLE 2				
Adjusted AFR for December 2008				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	2.20%	2.19%	2.18%	2.18%
Mid-term adjusted AFR	3.82%	3.78%	3.76%	3.75%
Long-term adjusted AFR	5.40%	5.33%	5.29%	5.27%

REV. RUL. 2008-53 TABLE 3	
Rates Under Section 382 for December 2008	
Adjusted federal long-term rate for the current month	5.40%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	5.40%

REV. RUL. 2008-53 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for December 2008

Note: Under Section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.84%
Appropriate percentage for the 30% present value low-income housing credit	3.36%

REV. RUL. 2008-53 TABLE 5

Rate Under Section 7520 for December 2008

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	3.4%
---	------

REV. RUL. 2008-53 TABLE 6

Rates Under Sections 846 and 807

Applicable rate of interest for 2009 for purposes of sections 846 and 807	4.06%
---	-------

## Section 1274A.—Special Rules for Certain Transactions Where Stated Principal Amount Does Not Exceed \$2,800,000

*26 CFR 1.1274A-1: Special rules for certain transactions where stated principal amount does not exceed \$2,800,000.*

*(Also §§ 483, 1274.)*

**Section 1274A – Inflation adjusted numbers for 2009.** This ruling provides the dollar amounts, increased by the 2009 inflation adjustment, for section 1274A of the Code. Rev. Rul. 2008-3 supplemented and superseded.

### Rev. Rul. 2008-52

This revenue ruling provides the dollar amounts, increased by the 2009 inflation adjustment, for § 1274A of the Internal Revenue Code.

#### BACKGROUND

In general, §§ 483 and 1274 determine the principal amount of a debt instrument given in consideration for the sale or exchange of nonpublicly traded property. In addition, any interest on a debt instrument subject to § 1274 is taken into account under the original issue discount provisions

of the Code. Section 1274A, however, modifies the rules under §§ 483 and 1274 for certain types of debt instruments.

In the case of a “qualified debt instrument,” the discount rate used for purposes of §§ 483 and 1274 may not exceed 9 percent, compounded semiannually. Section 1274A(b) defines a qualified debt instrument as any debt instrument given in consideration for the sale or exchange of property (other than new § 38 property within the meaning of § 48(b), as in effect on the day before the date of enactment of the Revenue Reconciliation Act of 1990) if the stated principal amount of the instrument does not exceed the amount specified in § 1274A(b). For debt instruments arising out of sales or exchanges before January 1, 1990, this amount is \$2,800,000.

In the case of a “cash method debt instrument,” as defined in § 1274A(c), the borrower and lender may elect to use the cash receipts and disbursements method of accounting. In particular, for any cash method debt instrument, § 1274 does not apply, and interest on the instrument is accounted for by both the borrower and the lender under the cash method of accounting. A cash method debt instrument is a qualified debt instrument that meets the following additional requirements: (A) In the case of instruments arising out of sales or exchanges before January 1, 1990, the stated principal amount does not exceed

\$2,000,000; (B) the lender does not use an accrual method of accounting and is not a dealer with respect to the property sold or exchanged; (C) § 1274 would have applied to the debt instrument but for an election under § 1274A(c); and (D) an election under § 1274A(c) is jointly made with respect to the debt instrument by the borrower and lender. Section 1.1274A-1(c)(1) of the Income Tax Regulations provides rules concerning the time for, and manner of, making this election.

Section 1274A(d)(2) provides that, for any debt instrument arising out of a sale or exchange during any calendar year after 1989, the dollar amounts stated in § 1274A(b) and § 1274A(c)(2)(A) are increased by the inflation adjustment for the calendar year. Any increase due to the inflation adjustment is rounded to the nearest multiple of \$100 (or, if the increase is a multiple of \$50 and not of \$100, the increase is increased to the nearest multiple of \$100). The inflation adjustment for any calendar year is the percentage (if any) by which the CPI for the preceding calendar year exceeds the CPI for calendar year 1988. Section 1274A(d)(2)(B) defines the CPI for any calendar year as the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of that calendar year.